

REPORT BY THE STATE AUDITOR OF CALIFORNIA

**STATE OF CALIFORNIA
STATEMENT OF SECURITIES ACCOUNTABILITY
OF THE STATE TREASURER'S OFFICE
JUNE 30, 1993**

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CALIFORNIA STATE AUDITOR
BUREAU OF STATE AUDITS

KURT R. SJOBERG
State Auditor

MARIANNE P. EVASHENK
Chief Deputy State Auditor

March 22, 1994

93008

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

The Bureau of State Audits presents its audit report of the State Treasurer's Office Statement of Securities Accountability as of June 30, 1993.

The Statement of Securities Accountability presents the securities owned by or pledged to the State directly or under investment agreements and securities held for safekeeping. The State Treasurer's Office is responsible for the safekeeping of all securities held in the treasury or other depositories, except for securities owned by or pledged to the University of California, or for securities in other depositories owned by or pledged to the Public Employees' Retirement System, the State Teachers' Retirement System, the Legislators' Retirement System, or Judges' Retirement System. For the Statement of Securities Accountability, the State Treasurer's Office assigns dollar amounts to each security for ease of accountability rather than for purposes of valuing securities to cost or market. The dollar amounts assigned represent the par or face value, the original face value, the original principal value, the current outstanding principal balance, or a nominal value of \$1 per certificate or note. Therefore, the dollar amounts presented in the Statement of Securities Accountability should not be used to determine the value of investments of, or pledged to the State. We found that the statement presents fairly the securities accountability of the State Treasurer's Office as of June 30, 1993.

We conducted this audit to comply with the California Government Code, Section 13299.1.

Respectfully submitted,

A handwritten signature in cursive script, reading "Kurt R. Sjoberg".

KURT R. SJOBERG
State Auditor

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CALIFORNIA STATE AUDITOR

Bureau of State Audits

93008

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OF THE STATE TREASURER'S OFFICE
JUNE 30, 1993

MARCH 1994

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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of securities accountability as of June 30, 1993. This statement of securities accountability is the responsibility of the State Treasurer's Office. Our responsibility is to express an opinion on the statement of securities accountability based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accompanying statement of securities accountability is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of securities accountability. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of securities accountability. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of securities accountability was prepared for the purpose of providing information required by Section 13299.1 of the California Government Code as discussed in Note 1 and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the statement of securities accountability referred to above presents fairly, in all material respects, the securities accountability of the State Treasurer's Office as of June 30, 1993, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the purpose of providing information required by Section 13299.1 of the California Government Code and should not be used for any other purpose.

BUREAU OF STATE AUDITS



SALLY L. FILLIMAN, CPA
Deputy State Auditor

Date: January 31, 1994

Staff: Sylvia L. Hensley, CPA, Audit Principal
John Baier, CPA

**STATE OF CALIFORNIA
STATEMENT OF SECURITIES ACCOUNTABILITY
OF THE STATE TREASURER'S OFFICE
JUNE 30, 1993**

<u>Account Title</u>	<u>Securities and Investment Agreements in the Vault of the State Treasurer's Office</u>	<u>Securities on Deposit With Banks and Trust Companies</u>	<u>Securities In Transit</u>	<u>Total</u>
<u>Pooled Money Investment Account</u>				
Securities (Note 2)		<u>\$21,026,124,814</u>		<u>\$ 21,026,124,814</u>
<u>Individual State Investment Accounts</u>				
California Housing Finance Agency	\$ 82,933,005	54,408,431		137,341,436
California National Guard		2,276,000		2,276,000
California Pollution Control Financing Authority		2,073,700		2,073,700
California State University Dormitory-Refunding		46,676,700		46,676,700
Central Valley Project Reid Gardner-Refunding		14,940,000		14,940,000
Central Valley Project Water System		233,024,100		233,024,100
Central Valley Project Water System- Series J Escrow		317,088,000		317,088,000
Central Valley Project Water System- Series L Escrow		635,297,000		635,297,000
Legislators' Retirement System	9			9
Los Angeles State Office Building Authority	14,307,220	96,898,000		111,205,220
Public Employees' Retirement System	8,424			8,424
Special Deposit Fund-Alice Burch Trust Fund		18,000		18,000
State Compensation Insurance Fund	180,717,360	5,589,254,809	\$571,000	5,770,543,169
State Controller's Office		220,000		220,000
State Lottery Fund		3,267,702,000		3,267,702,000
State Public Works Board-High Technology Revenue Bond Fund		39,159,000		39,159,000
State Public Works Board		617,466,000		617,466,000
Toll Bridge Construction Fund		4,922,000		4,922,000
Veterans' Debenture Revenue Fund	45,000,000	78,968,000		123,968,000
Veterans' Farm and Home Building Fund of 1943	<u>360,481,774</u>	<u>51,260,000</u>		<u>411,741,774</u>
Total Individual State Investment Accounts	<u>683,447,792</u>	<u>11,051,651,740</u>	<u>571,000</u>	<u>11,735,670,532</u>

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<u>Account Title</u>	<u>Securities and Investment Agreements in the Vault of the State Treasurer's Office</u>	<u>Securities on Deposit With Banks and Trust Companies</u>	<u>Securities In Transit</u>	<u>Total</u>
<u>Collateral To Secure Deposits in Banks and Savings and Loans</u>				
Agency bank deposits	3,350,000	176,439,943		179,789,943
State Treasurer's Office bond proceeds		22,000,000		22,000,000
State Treasurer's Office demand deposits	21,534,017	1,182,743,027		1,204,277,044
State Treasurer's Office time deposits	<u>123,068,543</u>	<u>773,729,414</u>		<u>896,797,957</u>
 Total Collateral to Secure Deposits in Banks and Savings and Loans	 <u>147,952,560</u>	 <u>2,154,912,384</u>		 <u>2,302,864,944</u>
<u>Pledges Received by State Agencies</u>				
Consumer Affairs, Department of	16,315,122	13,000		16,328,122
Corporations, Department of	3,151,562	25,000		3,176,562
Corrections, Department of		65,000		65,000
Deposit Officer Pending		355,300		355,300
Employment Development Department	114,284,642	1,735,600		116,020,242
General Services, Department of	140,000			140,000
Health Services, Department of	1,000,000			1,000,000
Industrial Relations, Department of	135,865,991	177,574,000	57,000	313,496,991
Insurance, Department of	2,707,708,460			2,707,708,460
Real Estate, Department of	2,355,000			2,355,000
State Banking Department	11,775,000	50,196,224		61,971,224
State Lands Commission	14,438,839	60,000		14,498,839
Transportation, Department of	5,250,115	15,067,200		20,317,315
Trustees of California State University	5,959,500	1,455,000		7,414,500
Water Resources Control Board	862,891			862,891
Water Resources, Department of	<u>135,000</u>			<u>135,000</u>
 Total Pledges Received by State Agencies	 <u>3,019,242,122</u>	 <u>246,546,324</u>	 <u>57,000</u>	 <u>3,265,845,446</u>

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<u>Account Title</u>	<u>Securities and Investment Agreements in the Vault of the State Treasurer's Office</u>	<u>Securities on Deposit With Banks and Trust Companies</u>	<u>Securities In Transit</u>	<u>Total</u>
<u>General Safekeeping</u>				
Alan Gene Whitaker Reimbursement Fund	1			1
Developmental Services, Department of	3,203	1,200,000		1,203,203
Education, California Department of	10,625	32,000		42,625
Quimby Island Reclamation District	156			156
Rehabilitation, Department of	7,569			7,569
Secretary of State	10,000			10,000
State Controller's Office	17,217,822			17,217,822
State Treasurer's Office -				
Bearer bonds exchanged for registered bonds	2,192,745,000			2,192,745,000
Trust accounts	98,452,166			98,452,166
Trustees of California State University	<u>3,500</u>			<u>3,500</u>
 Total General Safekeeping	 <u>2,308,450,042</u>	 <u>1,232,000</u>		 <u>2,309,682,042</u>
 Total Securities	 <u>\$6,159,092,516</u>	 <u>\$34,480,467,262</u>	 <u>\$628,000</u>	 <u>\$40,640,187,778</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF SECURITIES ACCOUNTABILITY

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying statement of securities accountability was prepared for the purpose of providing information required by Section 13299.1 of the California Government Code. This statement presents the securities owned by or pledged to the State directly or under investment agreements and those securities held for safekeeping. The State Treasurer's Office (STO) must account for all securities held in the treasury or other depositories, except for securities owned by or pledged to the University of California or for securities in other depositories owned by or pledged to the Public Employees' Retirement System, the State Teachers' Retirement System, the Legislators' Retirement System, or the Judges' Retirement System. The securities for which the STO is accountable are categorized as follows:

- Pooled Money Investment Account (PMIA) securities consist of investments with financial institutions. The investments are purchased with available money from various funding sources. The California Government Code, Section 16480.1, authorizes the State's Pooled Money Investment Board to designate the amount of available money to make such investments. In addition, Section 16480.2 expresses the intent that such investments realize the maximum return consistent with safe and prudent treasury management. Earnings on the PMIA securities are credited to the State's General Fund, the Surplus Money Investment Fund, the Local Agency Investment Fund, the Fish and Game Preservation Fund, the Public Employees' Retirement Fund, and the State Teachers' Retirement Fund.
- Individual state investment accounts consist of investments with financial institutions that are not invested through the PMIA.
- Collateral to secure deposits in banks and savings and loan associations consists of securities pledged by these institutions to protect the money that the State has on deposit with the institutions.
- Pledges received by state agencies consist of securities pledged to the State by certain businesses to protect consumers, to guarantee contractor performance, and to ensure payment of obligations such as disability benefits and state taxes.

- General safekeeping amounts consist of securities held on behalf of state agencies or other organizations.

B. Valuation of Securities

The accompanying statement of securities accountability is not intended to report securities at either book value or market value in accordance with generally accepted accounting principles. Instead, for ease of accountability, the STO values securities as follows:

Securities and Investment Agreements in the Vault of the State Treasurer's Office:

- Bonds, commercial paper, certificates of deposit, and surety bonds are valued at par value or face value.
- Stock certificates are valued at \$1 per share.
- Government National Mortgage Association certificates, Federal National Mortgage Association certificates, and Federal Home Loan Mortgage Corporation certificates are valued at their current outstanding principal balances.
- Real estate mortgage notes held as investments of individual state accounts are valued at \$1 per note.
- Real estate mortgage notes held as pledges to secure bank and savings and loan deposits are valued at their original principal balances.

Securities on Deposit With Banks and Trust Companies

- Bonds, commercial paper, certificates of deposit, surety bonds, Federal National Mortgage Association certificates (except participation certificates), and Federal Home Loan Mortgage Corporation certificates (except participation certificates) are valued at par value or face value.
- Federal National Mortgage Association participation certificates and Federal Home Loan Mortgage Corporation participation certificates are valued at their current outstanding principal balances.
- Government National Mortgage Association physical certificates are valued at original face value.
- Government National Mortgage Association book entry certificates are valued at their current outstanding principal balances.

- Real estate mortgage notes held as pledges to secure bank and savings and loan deposits are valued at their original principal balances.
- Real estate mortgage notes held as pledges to secure the court and private trusts of banks and savings and loans are valued at their current outstanding principal balances.

2. Pooled Money Investment Account - Securities

The STO reported a total value of \$21,026,124,814 for the securities in the PMIA at June 30, 1993. In its statement of cash accountability for June 30, 1993, the STO reported a total value of \$20,594,859,011 for these same securities. The difference between the two values results because the STO valued the PMIA securities in the statement of securities accountability according to the methods described in Note 1.B., but it valued the same securities at book value for the statement of cash accountability.

3. Personal Property

In addition to depositing securities, state agencies deposit personal property in the vault of the STO. The following table lists entities having personal property in the vault as of June 30, 1993:

<u>Entity</u>	<u>Number of items</u>
Deposit Officer Pending	46
Developmental Services, Department of	104
Emergency Stock - Trust Agency Checks	30,752
Housing and Community Development, Department of	3
Motor Vehicles, Department of	2,575
Personnel Administration, Department of	1
State Controller's Office	831
State Treasurer's Office	<u>16,011</u>
Total	<u>50,323</u>

Each item or sealed package of personal property is counted individually. However, because personal property items are not securities, they are excluded from the statement of securities accountability.

cc: Members of the Legislature
 Office of the Lieutenant Governor
 State Controller
 Legislative Analyst
 Assembly Office of Research
 Senate Office of Research
 Assembly Majority/Minority Consultants
 Senate Majority/Minority Consultants
 Capitol Press Corps